

# **12th ANNUAL REPORT**

## **2003-2004**



**KWALITY DAIRY (INDIA) LIMITED**

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**KWALITY DAIRY (INDIA) LIMITED**

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**BOARD OF DIRECTORS**

MR. GULSHAN KUMAR - Chairman  
MR. SANJAY DHINGRA - Managing Director  
MR. ARUN SRIVASTAVA  
MR. RAJEEV KUMAR SHARMA

***COMPANY SECRETARY***

MR. SANJAY KUMAR BABU

***REGISTERED OFFICE AND WORKS***

VILLAGE SOFTA, TEHSIL PALWAL  
DISTRICT FARIDABAD, HARYANA

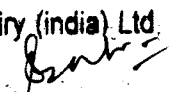
***BANKERS***

INDIAN OVERSEAS BANK

***AUDITORS***

M/S. O.P. TANEJA & CO.  
101/6, COMMUNITY CENTRE,  
NARAINA, NEW DELHI-110028

For Kwaliti Dairy (India) Ltd.

  
Company Secretary

***REGISTRARS***

SKYLINE FINANCIAL SERVICES PRIVATE LIMITED  
123, VINOBA PURI, LAJPAT NAGAR-II  
NEW DELHI - 110 024

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**KWALITY DAIRY (INDIA) LIMITED**

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**NOTICE**

NOTICE is hereby given that the 12th Annual General Meeting of the Company will be held on Thursday, the 30th day of September, 2004 at 11.00 am, at Village Softa, Tehsil Palwal, Dist Faridabad, Haryana to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2004 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 Sh. Gulshan Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration.

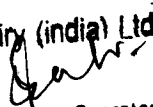
**Special Business**

4. Voluntary Delisting of the Company's securities from the Delhi Stock Exchange Association Limited and the Calcutta Stock Exchange Association Limited:

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

"Resolved that, subject to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such other approvals, permissions, sanctions, as may be required in the matter and also subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors to delist the Company's securities from the Delhi Stock Exchange Association Limited, New Delhi and the Calcutta Stock Exchange Association Limited, Kolkata.

For Kwality Dairy (India) Ltd

  
Company Secretary

By Order of the Board

Haryana  
28th August, 2004

**Sanjay Kumar Babu**  
Company Secretary

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**KWALITY DAIRY (INDIA) LIMITED**


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**NOTES :**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT OF PROXY, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.
- (b) The Register of Members and Share Transfer Book will remain closed from 24th September, 2004 to 30th September, 2004 (both days inclusive).
- (c) A Member desirous of obtaining any information on the accounts or operation of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the Meeting.
- (d) Members holding shares in physical form, are requested to notify immediately any change in their address to the Share Transfer Agent and in case their shares are held in dematerialized form, this information should be furnished on directly to their respective Depository Participants and not to the Company or the Share Transfer Agents.

By Order of the Board

Haryana  
28th August, 2004

**Sanjay Kumar Babu**  
Company Secretary

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

Presently the Company's securities are listed on three Stock Exchanges, namely The Stock Exchange Mumbai (BSE), Mumbai, The Delhi Stock Exchange Association Limited, New Delhi and The Calcutta Stock Exchange Association Limited, Kolkata.

As BSE has wide and extensive networking of centers, the investors have access to online dealings in the Company's equity shares across the country. Moreover 91.15 % of the Company's listed equity shares are in dematerialized form and Securities and Exchange Board of India (SEBI) has specified for settlement only in Demat form by all investors.

The trading volumes of the Company's equity shares on the Stock Exchanges at New Delhi and Calcutta are negligible and it is not worth paying listing fees to these Stock Exchanges for each financial year as this is not commensurate with the benefits to the Company and its investors due to changed scenario of the nationwide trading terminals set up by the BSE. The Board of Directors in its meeting held on 28.08.2004, considered the matter and thought it to be in the interest of the Company to have its equity shares delisted from Delhi and Calcutta Stock Exchanges as this would result in reduction in administrative costs/efforts of the Company. Therefore, the Board of Directors has decided to apply for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges.

The proposed voluntary delisting of the Company's equity shares from the said Stock Exchange will not adversely affect any investors including the Members located in the regions where the said Stock Exchange are situated. Pursuant to SEBI (Delisting of Securities Guidelines) 2003, it is now proposed to seek the Members' approval by way of Special Resolution for the voluntary delisting of the Company's equity shares from the said two stock exchanges as set out in the Resolution at Item No. 4. In terms of the said guidelines, as the Company's equity shares shall continue to remain listed on the BSE, no Exit Option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board commends the resolution for acceptance by the Members.

None of the Directors of the Company is concerned or interested in the Resolution.

By order of the Board

Haryana  
28th August, 2004

**Sanjay Kumar Babu**  
Company Secretary

**Kream  
Country**

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

To The Members,

Your Directors have pleasure in presenting the 12th Annual Report together with the Audited statement of Accounts for the year ended 31st March, 2004.

**1. FINANCIAL RESULTS**

	(Rs. in Lacs)	
	2003-2004	2002-2003
Net Sales	<b>6652.79</b>	232.08
Profit/(Loss) before Interest & Depreciation	<b>623.16</b>	5.32
Interest	<b>82.68</b>	10.16
Profit/(Loss) after interest	<b>540.48</b>	(4.84)
Depreciation	<b>73.12</b>	66.20
Extra Ordinary/Prior period items	-	45.94
Deferred Tax	<b>186.97</b>	-
Net Profit/(Loss)	<b>280.39</b>	(25.12)

**2. BUSINESS OPERATION**

During the year under review, your Company has substantially improved its performance by achieving good growth in turnover and profits. A net sales of Rs.6652.79 lacs was registered for the year ended 31st March,2004 as against paltry figure of Rs 232.08 lacs in the preceding year. Profit before interest, depreciation, extra-ordinary items and provisions for the year ended 2003-04 increased to Rs 623.16 lacs from a mere Rs 5.32 lacs and the profit after tax amounted to Rs 280.39 lacs as against loss of Rs 25.12 lacs in the preceding year.

**3. LAUNCHING PAD FOR 'AMUL MILK' SOLD IN DELHI**

Your Directors are pleased to state that sale of 'Amul Milk' in pouches launched by Gujarat Cooperative Milk Marketing Federation Limited in the Delhi market during November, 2003 has been pasteurised and packed in your Factory. The Company receives service charges in lieu of packing facilities availed by the Federation.

**4. FIXED DEPOSITS**

During the year no fixed deposits was accepted by the Company.

**5. DIRECTORS**

In accordance with the provisions of the Companies Act,1956 and the Articles of Association of the company, Sh. Gulshan Kumar, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment.

**6. DIRECTORS' RESPONSIBILITY STATEMENT**

As required under section 217(2AA) of the Companies Act,1956, the Board of Directors of the Company hereby state and confirm;

- (a) That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

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**KWALITY DAIRY (INDIA) LIMITED**

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- (b) That accounting policies selected and applied are consistent and the judgments and estimates made 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 profit of the company for that period.
- (c) That proper and sufficient care has been taken 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) That the annual accounts have been prepared on a going concern basis.

**7. CORPORATE GOVERNANCE**

Your Company is committed to follow a system of Corporate Governance, which ensures transparency, fairness, independence, accountability, integrity and social responsibility. The Company has been following the Regulatory Compliance with strong emphasis on Corporate Governance to protect investor's interests in letter and spirit. A separate report on Corporate Governance is annexed (Annexure 'B') as part of the Annual Report. The Auditors' Certificate confirming compliance of provisions of Corporate Governance is also included in the said Report.

**8. AUDITORS**

M/s O.P Taneja & Co, Chartered Accountants, Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1)(B) of the Companies Act, 1956.

**9. PARTICULARS OF EMPLOYEES**

None of the employee is in receipt of the remuneration as per the limits prescribed under 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

**10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

Information pursuant to provisions of subsection (1)(e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure 'A' to this report.

**11. ACKNOWLEDGEMENT**

Your Directors place on record their sincere thanks to the Government of Haryana for their continued support and cooperation in all activities. The Board would also like to express their grateful appreciation for the devoted services of the Executives, Staff and Workers of the Company at all levels enabling the Company to achieve the performance during the year. Your Directors also appreciate the valuable cooperation and continued support received from Company's Bankers i.e. Indian Overseas Bank.

For and On Behalf of the Board of Directors

Haryana  
28th August, 2004

**GULSHAN KUMAR**  
Chairman

**KWALITY DAIRY (INDIA) LIMITED****ANNEXURE-"A" TO THE DIRECTORS' REPORT****STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**

The Company continue to envisage and implement energy conversion measures in various manufacturing operations leading to savings in quantitative consumption of power, fuel, oil etc.

Steam Boiler, hitherto based on oil has been converted to multiple fuel base i.e. pet coke, rice husk, saw wood, etc. which has resulted to huge savings in cost of fuel.

**Power and Fuel Consumption :**

<b>A. Electricity</b>	<b>2003-2004</b>	<b>2002-2003</b>
Purchased		
Units	<b>1432555</b>	116350
Total Amount (Rs.)	<b>5849118</b>	844769
Rate per Unit (Rs.)	<b>4.08</b>	7.26
<b>B. H.S.D.</b>		
Quantity (Litres)	<b>55800</b>	42948
Total Amount	<b>1154625</b>	835060
Average Rate	<b>20.69</b>	19.44
<b>C. F.O.</b>		
Quantity (Litres)	<b>481500</b>	138000
Total Amount	<b>6125003</b>	1834946
Average Rate	<b>12.72</b>	13.30
<b>D. Pet Coke</b>		
Quantity (Kgs)	<b>546845</b>	-
Total Amount	<b>1598070</b>	-
Average Rate	<b>2.92</b>	-
<b>E. Husk</b>		
Quantity (Kgs)	<b>1178645</b>	-
Total Amount	<b>2080186</b>	-
Average Rate	<b>1.76</b>	-

**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 :**

	(Rs. in Lacs)	
	<b>2003-2004</b>	<b>2002-2003</b>
Foreign exchange outgo		
(a) CIF Value of imported raw material	<b>633.19</b>	-
(b) Others	<b>0.13</b>	-

For and on behalf of the Board of Directors

Haryana  
28th August, 2004

**GULSHAN KUMAR**  
Chairman

**Kream  
Country**

**KWALITY DAIRY (INDIA) LIMITED****ANNEXURE-"B" TO THE DIRECTOR'S REPORT  
CORPORATE GOVERNANCE REPORT****1. Company's Philosophy**

The Company believes in adopting the best and consistent policy to regulate, control and direct the corporate affairs to ensure the governing of the Company in such a way so as to best serve the interest of all shareholders, customers, creditors, employees, associates or the state, through upholding highest level of transparency, fairness, independence, integrity, ethics and accountability in all transactions, interaction and dissemination of information.

The Company believes that the Corporate Governance is not just corporate management or corporate administration, it is something much broader and includes a fair, efficient and transparent administration to meet certain well-defined objectives. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors and suppliers and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs.

**2. Board of Directors - Composition**

As at the year end, the Board of Directors of your Company, consist of four members comprising of one executive director and three non-executive directors including the Chairman. Two of these Directors represent the promoter group and two are independent.

**3. Board meetings held during the year**

Eleven Board meetings were held during the financial year 2003-04. They were held on 30th April 2003, 18th June, 2003, 25th June, 2003, 15th July, 2003, 26th July, 2003, 31st July, 2003, 16th August, 2003, 31st October, 2003, 10th January, 2004, 31st January, 2004, 6th March, 2004.

Directors' attendance at the Board Meeting and last Annual General Meeting is as under :

S. No.	Name	Designation	No. of Board Meetings attended	No. of other directorship held (excluding Pvt. Ltd. Co.)	Membership in committees on other Companies held	Attendance at last AGM held Y/N
1.	Mr. Gulshan Kumar (non-executive)	Chairman	11	Nil	Nil	Yes
2.	Mr. Sanjay Dhingra (executive)	Managing Director	11	Nil	Nil	Yes
3.	Mr. Arun Srivastava (non-executive)	Director	9	Nil	Nil	No
4.	Mr. Rajeev Sharma (non-executive)	Director	10	Nil	Nil	Yes
5.	Mr. Krishan Kumar*	Director	1	Nil	Nil	No
6.	Mr. Naresh Kumar*	Director	1	Nil	Nil	No
7.	Mr. Pradeep Wig**	Director	2	4	Nil	No
8.	Mr. Samiran Mukhopadhyay**	Director	2	Nil	Nil	No
9.	Mr. Jagdish Ajmani**	Director	2	Nil	Nil	No

\* Mr. Krishan Kumar and Mr. Naresh Dhingra resigned on 25.06.2003.

\*\* Mr. Pradeep Wig, Mr. Samiran Mukhopadhyay and Mr. Jagdish Ajmani resigned on 18.06.2003.

**4. Audit Committee**

The major areas of focus of the audit committee and its terms of reference are to review the Company's financial reporting process and internal control system and/or interaction with the Internal Audit Department and /or Statutory Auditors.

The terms of reference of the Audit committee include the following :

1. 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.
2. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
  - Any changes in accounting policies and practices.
  - 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 or the management, their subsidiaries or relatives etc. that they have potential conflict with the interests of Company at large.

**KWALITY DAIRY (INDIA) LIMITED**

3. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
4. Reviewing the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
5. Discussion with the internal auditors any significant findings and follow up there on.
6. Discussion with the external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
7. Reviewing the Company's financial and risk management policies.

During the year the Audit Committee comprised of three non-executive directors. The Committee met four times during the financial year, 2003-04, on 25th April, 2003, 21st July, 2003, 24th October, 2003 and 30th January 2004.

**Attendance of the members at the meeting of Audit Committee held during the year 2003-04.**

Name of Director	No. of Meetings attended
Mr. Arun Srivastava	3
Mr. Gulshan Kumar	3
Mr. Rajeev Sharma	2

**5. Shareholders/Share Transfer Committee**

The Shareholders/Investor Grievance Committee deals with various matters relating to the transmission of shares, issue of duplicate share certificate, approving the split and consolidation requests and other matters including Shareholders' complaints and grievances. The Committee comprises of two directors, Sh. Gulshan Kumar and Sh. Arun Srivastava both are non-executive directors.

The Board has authorised the Share Transfer Committee and the Company Secretary severally to approve the transfer of shares. The Board has designated Sh. Sanjay Kumar Babu, Company Secretary as the 'Compliance Officer'.

During the year, the Company received 112 complaints from shareholders. All the complaints were attended within reasonable period and resolved to the satisfaction of the shareholders.

**6. Remuneration to Directors**

- (i) Details of remuneration for the year ended 31st March 2004 :

**(a) Managing Director :**

The remuneration structure of the Managing Director, Sh. Sanjay Dhingra, comprises of consolidated Salary, Perquisites and other Allowances. The Managing Director is paid remuneration as per the resolution passed at the meeting of the Board of Directors and Shareholders at the Annual General Meeting. The remuneration paid to Sh. Sanjay Dhingra, Managing Director for the financial year ended 31st March, 2004 amounted to Rs. 320000/- for the total period of eight months.

**(b) Non-executive Director :**

No sitting fees were paid for attending the Board and Committee meetings during the year under review.

**7. General Body Meeting**

The location and time of the Annual General Meeting during the last three years are as follows :

Annual General Meeting (AGM)	Date of AGM	Time of Meeting	Venue	No. of Special Resolutions
9 <sup>th</sup>	25 <sup>th</sup> September, 2001	11.00 am	Rabindra Sarovar Pavilion Hall, Sarat Bose Road, Kolkata-700029	1
10 <sup>th</sup>	12 <sup>th</sup> September, 2002	11.00 am	Mukta Angan 123, S.P. Mukherjee Road, Kolkata-700026	1
11 <sup>th</sup>	22 <sup>nd</sup> September, 2003	11.00 am	Village Softa, Tehsil Palwal, Dist. Faridabad, Haryana	Nil

The following special resolutions were passed by the company at the above mentioned General meetings:

AGM	Details of Special Resolution
9th Annual General Meeting	Shifting of the registered office of the Company
10th Annual General Meeting	Amendment in the Articles of Association and the Memorandum of Association
11th Annual General Meeting	NIL

## KWALITY DAIRY (INDIA) LIMITED

The special resolution was passed on show of hands. Presently the company does not have any proposal for postal ballot.

### 8. Disclosures :

The particulars of transaction between the company and its related parties as per the Accounting Standard 18 are set out in the Schedule "14" of this Annual Report. However, these transactions are not likely to have any conflict with the Company's interest. The Company has complied with all the applicable laws and regulation and no strictures/penalties have been imposed on the Company by Stock Exchange or SEBI or any other statutory authority.

The Company has filed an application to 'The Stock Exchange, Mumbai' for listing of 50,00,000 equity shares of Rs. 10/- each arising on conversion of 5,00,000 convertible preference shares of Rs.100/- each.

### 9. Means of Communication :

The quarterly/half yearly unaudited and annual financial results were furnished to stock exchanges and also published in English and in Hindi newspaper in Delhi and in Faridabad respectively. The results were also displayed at the website of NIC.

### 10. General Shareholders Information :

#### (i) 12th Annual General Meeting :

Date and Time : 30th September, 2004 -11.00 am  
Venue : Village Softa, Tehsil Palwal  
Dist. Faridabad, Haryana.

#### (ii) Profile of Director being re-appointed at the ensuing Annual General Meeting

##### Sh. Gulshan Kumar

Date of birth : 01.05.1964  
Date of appointment : 18.06.2003  
Expertise in specific Functional Area : Finance and Accounts  
Directorship held in other Public Companies : Nil  
Member of committee of Board of Director of the Company : Member - Audit Committee and Share Transfer Committee

#### (iii) Financial Calendar :

##### Unaudited Financial Results In the month of: For the quarter ended

30th June, 2004	: July, 2004
30th September, 2004	: Oct, 2004
31st December, 2004	: Jan, 2005
31st March, 2005	: April, 2005

#### (iv) Dates of Book closure :

The Share Transfer book and Register of Members of the company will remain closed from 24th September to 30th September 2004 (both days inclusive).

#### (v) Listing on Stock Exchanges :

The Equity shares of the Company are listed on the Delhi Stock Exchange Association Ltd (DSE), New Delhi, The Stock Exchange, Mumbai (BSE) and the Calcutta Stock Exchange Association Ltd (CSE), Kolkata.

Stock Exchange	Code No.
Calcutta Stock Exchange	Phy 021045 Demat-100021045
Stock Exchange, Mumbai	: 531882
Delhi Stock Exchange	: 7582
Demat ISIN Numbers	: Equity Shares INE775B01017

It is proposed to go in for voluntary delisting, as per SEBI Guidelines, from Stock Exchanges at Delhi and Kolkata for which member's approval is being sought at the ensuing Annual General Meeting.

The Listing fees is being paid for all the above stock exchanges for the year 2004-05.

#### (vi) Market Price Data :

The monthly high and low quotations of the shares traded in Stock Exchange, Mumbai are as follows :

Month	High (Rs.)	Low (Rs.)
April '03	13.75	2.85
May '03	41.65	12.35
June '03	58.50	19.60
July '03	32.50	21.10
Aug '03	32.00	21.15
Sep '03	30.00	17.00
Oct '03	29.85	20.75
Nov '03	34.25	20.60
Dec '03	24.45	20.50
Jan '04	24.00	12.10
Feb '04	18.97	10.00
Mar '04	17.90	14.80