

13th Annual Report 2004-05

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Kwalipac (India) Limited

AN ISO 9001:2000 & HACCP CERTIFIED COMPANY

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Corporate Information

Directors

Mr. Gulshan Kumar
Chairman
Mr. Sanjay Dhingra
Managing Director
Mr. Arun Srivastava
Mr. Rajiv Sharma

Company Secretary &
Corporate Legal Counsel
Mr. K. Randhir Singh

Auditors

O. P. Taneja & Co.
Chartered Accountant

Bankers

Indian Overseas Bank

Registered Office & Works

Village Softa, Tehsil Palwal
Distt. Faridabad, Haryana – 121 004

Corporate Office

5/1B, Ramesh Nagar
New Delhi – 110 015

Registrar and Share Transfer Agents

Skyline Financial Services Pvt. Ltd.
123, Vinobapuri, Lajpat Nagar, New Delhi – 110 024

KWALITY DAIRY (INDIA) LIMITED**NOTICE**

Notice is hereby given that the 13th Annual General Meeting of the Members of Kwaliti Dairy (India) Ltd. will be held on Friday, the 30th day of September 2005 at 10 A.M. at Village Softa, Tehsil Palwal, Distt. Faridabad, Haryana – 121 004, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March, 2005 and Profit & Loss Account for the year ended on that date and the Report of the Directors and Auditors, thereon.
2. To elect Director in place of Mr. Arun Srivastava, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s Mukesh K. Arora & Co., Chartered Accountants, having their office at 64, Adersh Nagar, Karnal – 132001, Haryana in place of M/s O. P. Taneja & Company, Chartered Accountants who retires at the ensuing Annual General Meeting and fix remuneration and to pass with or without modifications the following resolution as an ordinary resolution:

“Resolved that M/s Mukesh K. Arora & Co. Chartered Accountants, having their office at 64, Adersh Nagar, Karnal – 132001, Haryana, be and are hereby appointed as the auditors of the Company to hold that office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, in place of M/s O. P. Taneja & Company, Chartered Accountants, at a remuneration as may be mutually decided by the Board of Directors in negotiation with the said M/s Mukesh K. Arora & Co.”

**By Order of the Board of Directors
For KWALITY DAIRY (INDIA) LIMITED**

Place : New Delhi
Date : 29th August, 2005

**(K. Randhir Singh)
Company Secretary &
Corporate Legal Counsel**

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the company.
2. The enclosed proxy form, if intended to be used, should be returned duly filled and authenticated at the Registered office of the Company not less than 48 hours before the scheduled time of the Meeting.
3. The Register of Members and Share Transfer books of the Company will remain closed from 24th September, 2005 to 30th September, 2005 (both days inclusive)
4. Members are requested to intimate immediately any change in their registered address to the company at its registered office or to the Registrar and Share Transfer Agents.
5. The shares of the company are being traded compulsorily in demat form only, Members who still hold the shares of the Company in physical form are advised to have their holdings dematerialized in their own interest through authorized depository participant.
6. Members are requested to bring their copies of Annual Report to the meeting.

**By Order of the Board of Directors
For KWALITY DAIRY (INDIA) LIMITED**

Place : New Delhi
Date : 29th August, 2005

**(K. Randhir Singh)
Company Secretary &
Corporate Legal Counsel**

KWALITY DAIRY (INDIA) LIMITED**DIRECTORS' REPORT****TO THE MEMBERS:**

Your Directors have pleasure in presenting the 13th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2005.

1. FINANCIAL HIGHLIGHTS

Particulars	(Rs. In lacs)	
	Year ended 31.03.2005	Year ended 31.03.2004
Sales, Service & Other Income	7196.91	6652.79
Profit before Interest, Depreciation & Tax	625.06	623.16
Interest & Fin. Charges.	192.87	82.68
Depreciation	97.79	73.11
Profit before Tax	334.40	467.35
Provision for Tax		
- Deferred Tax	114.87	186.97
Profit/(Loss) after tax	219.52	280.39
Add: Surplus brought forward	(678.45)	(958.84)
Balance Carried Forward	(458.93)	(678.45)

The Kwaliti Dairy (India) Limited, is one of the rapidly growing Indian manufacturer of Dairy Products. The Company has come up with quality products, which are well known and well accepted in the Indian and overseas markets. During the year under review turnover were Rs. 7196.91 lacs as compared to Rs. 6652.79 lacs during the previous year, thus showing a growth of 8.17 % over that of last year. Company has earned a Profit Before Tax, Depreciation and Interest, of Rs. 625.06 lacs as compared to 623.16 lacs during the previous year. However the Net Profit in comparison to last year has declined and that is mainly due to the increased cost of finance and depreciation.

3. DIVIDEND

Due to unabsorbed depreciations and brought forward losses of past years, Board of Directors has not recommended any dividend in this year.

4. DELISTING OF EQUITY SHARES

Pursuant to the application for voluntary de-listing filled by Company, the equity shares of the Company have been de-listed from the Delhi Stock Exchange Association Limited, DSE House, 3/1, Asaf Ali Road, New Delhi, with effect from 31st March, 2005, a similar application is pending with The Calcutta Stock Exchange Association Limited, Kolkata. The equity shares of the company are currently listed on The Stock Exchange Association Limited, Kolkata, and The Stock Exchange, Mumbai.

5. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Arun Srivastava, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

6. AUDITORS

M/s O. P. Taneja & Company, Chartered Accountants, who are to retire at the conclusion of the Thirteenth Annual General Meeting, have not offered themselves for re-appointment. The Directors wish to record their appreciation of the professional services and guidance rendered by them during their association with the Company.

A special notice has been received from a shareholder of the Company in accordance with the provisions of section 190 of the Companies Act, 1956 expressing his intention to propose the appointment of M/s Mukesh K. Arora & Co., Chartered Accountants, as auditors of the Company from conclusion of this thirteenth Annual General Meeting until the conclusion of next Annual General Meeting of the Company. Your Company has received from M/s Mukesh K. Arora & Co., indicating that, their appointment, if made will be in accordance with the limits specified under section 224(1B) of the Companies Act, 1956.

KWALITY DAIRY (INDIA) LIMITED**7. DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state and confirm as under:

- a) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b) that the directors had selected such accounting policies and applied them consistently and made judgments 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 the Profit of the company for that period.
- c) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and
- d) That the directors had prepared the annual accounts on going concern basis.

8. CORPORATE GOVERNANCE & COMPLIANCE CERTIFICATE

Annexure-I to this report summarizes the state of compliance by the company of the norms of Corporate Governance as provided in Clause 49 of the Listing Agreement. A certificate from the Auditors of the company regarding compliance of the norms of Corporate Governance is attached to this report.

9. FIXED DEPOSITS

Your Company has neither invited nor accepted any deposits from public within the meaning of the Companies (Acceptance of Deposits) Rule, 1975, during the last financial year.

10. PERSONNEL

Information as per section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 does not form part of this Report, as no employee of your company is covered as per provisions contained therein.

11. CONSERVATION OF ENERGY, TECHNOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Disclosures of particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in annexure A to this report.

12. APPRECIATION.

Your Directors place on record their grateful thanks & appreciation to the Companies Customers, Shareholders, Bankers, Government Departments, suppliers, distributors and other business associates for their continued support & co-operation. They also wish to convey their gratitude and appreciation to the employees of the Company for their sincerity, dedication and valuable contribution during the year.

For & on behalf of the Board of Directors

Place : New Delhi
Date : 29th August, 2005

**(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 continues to envisage and implement energy conversion measures in various manufacturing operations leading to savings in quantitative consumption of power, fuel, oil etc.

Power and Fuel Consumption:

A. Electricity	<u>2004-2005</u>	<u>2003-2004</u>
Purchased		
Units	2173376	1432555
Total Amount (Rs.)	8852653	5849118
Rate per Unit (Rs.)	4.08	4.03
B. H.S.D.		
Quantity (Liters)	127259	55800
Total Amount	3074166	1154625
Average Rate	24.16	20.69
C. F.O.		
Quantity (Liters)	36485	481500
Total Amount	529015	6125003
Average Rate	14.50	12.72
D. Other Fuels		
(Pet Coke, Husk & Burada)		
Quantity (Kgs)	6095008	1725490
Total Amount	10010988	3678256
Average Rate	1.64	2.13

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)	
	2004-2005	2003-2004
Foreign Exchange Outgo		
(a) CIF Value of imported raw material & Finished Goods	268.51	633.19
(b) Others	Nil	0.13
Foreign Exchange Earning		
(b) FOB Value of Export of Finished Goods	288.78	Nil

For & on behalf of the Board of Directors

Place : New Delhi
Date : 29th August, 2005

(Gulshan Kumar)
CHAIRMAN

KWALITY DAIRY (INDIA) LIMITED

KWALITY DAIRY (INDIA) LIMITED
 Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance.

1. The Company's philosophy on code of Governance

Corporate Governance has been a high priority at Kwaliti Dairy (India) Ltd. both in letter and in spirit.

The Company believes in and has consistently followed good corporate governance. A sound governance process consists of various business practices, which not only result in enhanced shareholders value in the long run but also enable the Company to fulfill its obligations towards its customers, employees, lenders and to the society in general. The Company firmly believes that good governance is founded upon the principles of transparency, accountability, independent monitoring and environmental consciousness.

The Company is of the firm view that without proper discipline, no growth is possible. The values of the Company are uncompromising and through strict adherence to the corporate governance, the board of directors of the Company wishes to give high return to its stakeholders while maintaining its dignity and honour.

2. Board of Directors

The Composition of Board of Directors comprised Executive and Non-Executive Directors.

The Total Number of Directors of the Company were four during the year under review, including the Managing Director

During the year ended March 31, 2005, Six meetings of the Board of Directors were held on April 30, 2004, June 05, 2004, July 31, 2004, August 28, 2004, October 30, 2004, and January 31, 2005.

The details of composition, attendance record and directorship held in other companies/Board Committees by each member of the Board of Directors of the Company is given as follows:

Name of the Director	Category (Independent/ Non-executive / executive)	Board Meetings attended During the year	Attendance at the Last AGM held on 30th September, 2004	Number of other Directorships (Including Pvt. Ltd. Companies)	Number of other Committee Memberships	
					As Chairman	As Member
1. Mr. Gulshan Kumar	Chairman Non Executive Director	6	Present	1	NIL	NIL
2. Mr. Sanjay Dhingra	Managing Director	6	Present	2	NIL	NIL
3. Mr. Arun Srivastava	Independent and Non Executive Director	5	Absent	0	NIL	NIL
4. Mr. Rajiv Kumar Sharma	Independent and Non Executive Director	4	Present	1	NIL	NIL

3. Committees of the Board

The Board of Directors constituted two committees – Audit Committee and shareholders' / Investors' Grievance redressal Committee.

KWALITY DAIRY (INDIA) LIMITED**(i) Audit Committee:**

The Board has constituted an Audit Committee in accordance with the requirements of section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement entered with the stock exchanges. Statutory Auditors and Internal Auditors were regular invitees to the committees meetings.

Mr. K. Randhir Singh is the Secretary to the committee.

Composition

The composition of the Audit Committee:

Name of the Member	Designation	No. of Meetings Attended
1. Mr. Arun Srivastava	Chairman	5
2. Mr. Gulshan Kumar	Member	5
3. Mr. Rajiv Kumar Sharma	Member	5

During the year, five Committee Meetings were held on April 20, 2004, July 16, 2004, August 21, 2004, October 20, 2004 and January 29, 2005.

Terms of Reference

The terms of reference / powers of the Audit Committee has been specified by the Board of Directors in consonance with clause 49 of the Listing Agreement, which inter alia includes

- 1) Oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 2) Reviewing with the management the quarterly and annual financial statement before submission to the Board of Directors focusing primarily on:
 - i) Any changes in accounting policies and practices.
 - ii) Major accounting entries based on exercise of judgment by management.
 - iii) Significant adjustments arising out of audit.
 - iv) The going concern assumption and compliance with accounting standards.
 - v) Compliance with stock exchange and legal requirements concerning financial statements.
 - vi) Any related party transactions i.e. transactions of the Company of material nature, that may have potential conflict with the interest of the company at large.
- 3) Reviewing with the management, statutory and internal Auditors, the adequacy of internal control system.
- 4) Recommending the appointment and removal of statutory auditors, and terms of remuneration.
- 5) Discussing with the internal auditors any significant findings and follow-up thereon.
- 6) Discuss with the statutory Auditors before the Audit commences, about the nature and scope of audit as well as post audit discussion any area of concern.
- 7) Reviewing the companies financial and risk management policies.
- 8) Carrying out such other function as may be specifically referred to the committee, by the Board of Directors.

(ii) Shareholders Grievance Redressal Committee:

The committee oversees and reviews all matters concerned with the transfer of securities of the Company. The committee also looks into the redressal of shareholders and investor grievance related to transfer of shares, non receipt of annual report, etc. the committee oversees the performance of the registrars and transfer agent of the Company and recommends measures for overall improvements in the quality of investor services.

Mr. K. Randhir Singh is the Secretary to the committee.

KWALITY DAIRY (INDIA) LIMITED**Composition**

The composition of the Shareholders Grievance Redressal Committee:

Name of the Member	Designation	No. of Meetings Attended
1. Mr. Gulshan Kumar	Chairman	4
2. Mr. Arun Srivastava	Member	4
3. Mr. Rajiv Kumar Sharma	Member	4

During the year, four Committee Meetings were held on April 20, 2004, July 16, 2004, October 20, 2004 and January 29, 2005.

Compliance Officer

During the Financial year 2004-2005, Mr. S. K. Babu, Company Secretary, was the Compliance Officer for complying with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreement with the Stock Exchange. From 05-05-2005 Mr. K. Randhir Singh, Company Secretary and Corporate Legal Counsel, is the Compliance Officer for complying with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreement with the Stock Exchange.

Complaints Received and Resolved

During the period under review, 70 complaints were received from investors, which were replied / resolved to the satisfaction.

4. Remuneration of Directors:

The details of remuneration of directors during the year ended 31st March 2005, are as follows:

Name of Director	Gross Remuneration (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. Sanjay Dhingra	4,80,000.00/-	NIL	4,80,000.00/-

5. Disclosures:**Disclosure on materially significant Related Party Transactions:**

Related party transactions as required under Accounting Standard-18 are disclosed in Notes to Accounts to the Balance Sheet.

None of the transactions of the company of material nature, with its promoters and their relatives, the directors or the management and their relatives or any other related parties were in conflict with the interest of the Company.

Disclosure on non-compliance on any matter related to capital markets during last three years:

Your Company has complied with all the matters related to capital markets and SEBI or Stock Exchanges or any other Statutory Authority has not imposed any penalties or strictures on the company, on account of non-compliance. There were letters received from SEBI and Stock Exchanges forwarding the complaints lodged with them by the shareholders of the company, which have been resolved in due course.

The Company's application 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, is pending with The Stock Exchange, Mumbai.

6. Means of Communication:

The financial results of your Company are published in The Financial Express and Jan Satta. The financial results are also furnished to stock exchanges.

Your Company believes that all the stakeholders should have access to adequate information about the Company. All information, which could have a material bearing on the share price, is released at the earliest.

The company also complies with the requirements of clause 51 of the Listing Agreement with respect to EDIFAR (Electronic Data Information Filing and Retrieval) filing.

The relevant information is also available at the website www.sebiedifar.nic.in maintained by SEBI / NIC.