

14th Annual Report 2005-2006



Kwality Dairy (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

Mukesh K. Arora & Co.
Chartered Accountants

Bankers

Indian Overseas Bank
 UTI Bank
 CITI 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

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KWALITY DAIRY (INDIA) LIMITED

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Members of Kwaliti Dairy (India) Ltd. will be held on Friday, the 29th day of September 2006 at 3.30 P.M. at Village Softa, Tehsil Palwal, Dist 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, 2006 and Profit & Loss Account for the year ended on that date, together with the Directors and Auditors Report, thereon.
2. To appoint a Director in place of Mr. Rajiv Kumar Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider the reappointment of M/s Mukesh K. Arora & Co., Chartered Accountants, as auditors of the company who retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment, and to authorize the Board of Directors to fix their remuneration and for the purpose pass with or without modifications the following resolution as an ordinary resolution:

“Resolved That pursuant to Section 224(1) of the Companies Act, 1956 and other applicable provisions, 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 office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration as may be mutually agreed 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, 2006

(K Randhir Singh)
Company Secretary &
Corporate Legal Counsel

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, to be effective, must be deposited, 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 25th September, 2006 to 29th September, 2006 (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.
6. 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.
7. 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, 2006

(K Randhir Singh)
Company Secretary &
Corporate Legal Counsel

DIRECTORS' REPORT**TO THE MEMBERS:**

Your Directors have pleasure in presenting the 14th Annual Report and Audited Statement of Accounts for the year ended 31st March 2006.

1. FINANCIAL HIGHLIGHTS

(Rs. In lacs)

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Turnover	9913.72	7196.91
Profit before Interest, Depreciation & Tax	760.46	625.06
Interest & Fin. Charges.	156.33	192.87
Depreciation:	90.59	97.79
Profit before Tax	513.53	334.40
Provision for Tax		
Current Tax	47.00	—
FBT	1.74	—
Deferred Tax	194.69	114.87
Profit/(Loss) after tax	270.09	219.52

Your Company has shown all round growth in the year under review, the financial figures of current year affirms the company's strength and its growth. The total income of the company is around Rs. 100 Crores. During the year under review turnover was Rs. 9913.72 lacs as compared to Rs. 7196.91 lacs during the previous year, the company's growth trend in last two years is shown below.

	% Growth in 2005-06	% Growth in 2004-05
Turnover	37.75	8.18
PBIDT	21.66	0.30
PBT	53.57	(28.45)
Profit After Tax	23.04	(21.71)

3. DIVIDEND

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

4. DELISTING OF EQUITY SHARES

An application for voluntary de-listing from The Calcutta Stock Exchange Association Limited, Kolkata, filed by Company, with the said Stock Exchange is pending confirmation. 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. Rajiv Kumar Sharma, 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 Mukesh K. Arora & Co., Chartered Accountants, who are to retire at the conclusion of the Fourteenth Annual General Meeting, have offered themselves for re-appointment. Your Company has received from M/s Mukesh K. Arora & Co., a

certificate indicating that, their appointment, if made will be in accordance with the limits specified under section 224(1B) of the Companies Act, 1956.

The Directors wish to record their appreciation of the professional services and guidance rendered by them during the financial year 2005-06 and recommend for their re-appointment.

7. DIRECOTRS' 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

State of compliance by the Company of the norms of Corporate Governance as provided in Clause 49 of the Listing Agreement and a certificate from the Auditors and Chief Executive Officer of the company regarding compliance of the norms of Corporate Governance is forming part of this annual report. A declaration relating to Code of Conduct for Directors/Senior Management by the Chief Executive Officer is also attached.

9. FIXED DEPOSITS

Your Company has neither invited nor accepted 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 2006

**(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	2005-06	2004-2005
Purchased		
Units	1842999	2173376
Total Amount (Rs.)	7537867	8852653
Rate per Unit (Rs.)	4.09	4.08
B. Fuels		
(Diesel, FO, Burada & Husk)		
Quantity (ltrs/Kgs)	4521622	6258752
Total Amount (Rs.)	15264697	13614169
Rate per Unit (Rs.)	3.38	2.18

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)

	2005-2006	2004-2005
Foreign Exchange Outgo		
(a) CIF Value of imported raw material & Finished Goods	Nil	268.51
(b) Others	Nil	Nil
Foreign Exchange Earning		
(b) FOB Value of Export of Finished Goods	546.15	288.78

For & on behalf of the Board of Directors

Place : New Delhi
Date : 29th August, 2006

(Gulshan Kumar)
CHAIRMAN

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. This is reflected in the well-composed and independent structure of the Company's Board of Directors.

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, 2006, thirteen meetings of the Board of Directors were held on:

30 th April 2005,	21 st June 2005,	30 th July 2005,
29 th August 2005,	17 th September 2005,	26 th September 2005,
17 th October 2005,	28 th October 2005,	25 th November 2005,
26 th December 2005,	23 rd January 2006,	31 st January 2006 and
23 rd March 2006.		

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 Meet- ings attended During the year	Attendance at the Last AGM held on 30 th September, 2005	Number of Directorships In other Public Companies	Number of other Committee memberships	
					As Chairman	As Member
1. Mr. Gulshan Kumar	Chairman Non Executive Director	13	Present	NIL	NIL	NIL
2. Mr. Sanjay Dhingra	Managing Director	11	Present	NIL	NIL	NIL
3. Mr. Arun Srivastava	Non Executive Independent Director	11	Present	NIL	NIL	NIL
4. Mr. Rajiv Kumar Sharma	Non Executive Independent Director	10	Present	NIL	NIL	NIL

Brief resume of director proposed for reappointment

Mr. Rajiv Kumar Sharma, director of the Company, retires by rotation, your board has recommended his reappointment.

Mr. Rajeev Sharma is having experience of over nine years in the field of sales & marketing. He has been on the Board of Directors of the Company since 2003. During his tenure as director, he has taken care all the sales & marketing activities of the company starting from decision making to channel sales. Through his contributions the company has been able to grow in terms of its market share & reputation for its products.

3. Committees of the Board

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

(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, 2005, July 16, 2005, August 21, 2005, October 20, 2005 and January 29, 2006.

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 with the interest of the company at large.

KWALITY DAIRY (INDIA) LIMITED

- 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 shareholders grievances. 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.

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 22, 2005, July 15, 2005, October 21, 2005 and January 30, 2006.

Complaints Received and Resolved

During the period under review, 22 complaints were received from investors, which were replied / resolved to the satisfaction.

Compliance Officer

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. Mr. S. K. Babu, Company Secretary, was the Compliance Officer for complying with these requirements till 4th May 2005.

4. Remuneration of Directors:

The details of remuneration of directors during the year ended 31st March 2006 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 is pursuing 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, 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.

7. Shareholder Information:

➤ **14th Annual General Meeting:**

Date, Time & Venue

Friday, September 29, 2006, at 3.30 p.m.
Village Softa, Tehsil Palwal,
Distt. Faridabad, Haryana – 121 004

➤ **Financial Calendar 2006-07**

(Actual)

Results for the quarter

Ending June 30, 2006

25th July 2006

(Tentative)

Results for the quarter

Ending September 30, 2006

In October, 2006

Results for the quarter

Ending December 31, 2006

In January, 2007

Results for the quarter/year

Ending March 31, 2007

In April, 2007

➤ **Book Closer Periods**

25th September 2006 to 29th September 2006 (both days inclusive)